File 204-

BEAVER

1969 ANNUAL REPORT

BEAVER LUMBER COMPANY LIMITED

BEAVER LUMBER
COMPANY LIMITED

204-942-5116

Directors

H. B. Gourley, *Winnipeg*
R. H. G. Harman, *Victoria*
K. C. Kennedy, *Winnipeg*
Gordon Lawson, *Winnipeg*
K. A. Mitchell, *Winnipeg*
D. S. Paterson, *Winnipeg*
T. O. Peterson, *Winnipeg*
T. Bruce Ross, *Winnipeg*
C. G. Smith, *Winnipeg*
C. M. Willoughby, *Regina*

Officers

K. C. Kennedy, *President*
K. A. Mitchell, *Vice-President and General Manager*
A. G. Gemmell, *Assistant General Manager for Western Canada*
W. T. Cummings, *Secretary-Treasurer*
C. A. McLeod, *Assistant Secretary-Treasurer*

Division Managers

Ontario: J. W. Dupras, *Sheridan Park, Mississauga*
Central: A. F. Styles, *Winnipeg*
Alberta: I. M. Groundwater, *Edmonton*
British Columbia: J. S. Watson, *North Surrey*

Registrar and Transfer Agent

Montreal Trust Company, *Toronto, Winnipeg, Vancouver, Calgary, Regina, Montreal*

Head Office

120 Fort Street, *Winnipeg, Canada*

SARNIA, ONT. NEW STORE

BEAVER LUMBER COMPANY LIMITED

AND SUBSIDIARY COMPANIES

HIGHLIGHTS

	1969	1968
Sales	$85,726,863	$76,906,982
Earnings before income taxes	$ 6,695,816	$ 7,034,236
Income taxes	$ 3,471,241	$ 3,636,842
Earnings before extraordinary item	$ 3,224,575	$ 3,397,394
Per common share	$ .99	$ 1.05
Gain on disposals	$ 122,665	$ 189,557
Net Earnings	$ 3,347,240	$ 3,586,951
Dividends		
Preferred—per share	$ 1.40	$ 1.40
Class A	$ 1.00	$ 1.00
Common	$ .50	$ .475
Working capital	$23,289,918	$17,091,042
Retained earnings	$28,343,410	$26,692,829
Number of common shareholders	2,012	1,967

DIRECTORS' REPORT

TO THE SHAREHOLDERS

The Board of Directors submits herewith the Annual Report of the Company and its subsidiaries, together with the consolidated financial statements for the year ended December 31, 1969 and the report of your auditors.

This report marks the end of the decade of the sixties. Review and reflection reveal that much progress was made by the Company in these years. Sales have doubled, profits have increased though not to the same degree, total assets, net assets and working capital all show substantial growth.

One of the most important achievements of the decade was the adjustment to the rapid urbanization of Canada's population. The transition has necessitated the closing of smaller rural branches in Western Canada and the opening of a similar number of new branches in urban areas. The establishment of new branches required a good deal of capital and operating results for the period have been burdened with start-up costs.

These changes have provided increased stability of earnings for the Company and while the transition is by no means complete, we do enjoy a broader and more stable base from which to face the challenges of the next ten years.

Our return on investment in the decade has ranged from $8\frac{3}{4}\%$ to 12% with a ten-year average of 10.65%.

The 11.5% increase in sales in 1969 contributed to our record for the decade. The 5.1% decline in net earnings from operations while not serious in absolute terms, was a disappointment and marred an otherwise excellent record.

Continuing the trend of recent years, the Ontario Division provided the major portion of our increased sales in 1969 although much of this increase consisted of low margin sales. Saveway Building Supplies Limited, our wholly-owned subsidiary, a "cash and carry" operation in Ontario, enjoyed further growth in sales and a satisfactory increase in profit.

The Central Division comprised of Manitoba, Saskatchewan and Northwestern Ontario, experienced a sales decline of negligible proportions which is considered most satisfactory in view of current conditions in the grain market.

The Alberta Division produced a modest increase in sales reflecting a more diverse economy than that of the other prairie provinces. Sales in British Columbia Division improved substantially over 1968.

During the year we were subjected to a very unstable lumber and plywood market with prices reaching unprecedented high levels during the first quarter followed by a steady and steep decline throughout the balance of the year. This situation added to normal marketing problems and when combined with an increase in low margin sales, the total effect was a fractional decline in the gross profit percentage.

Operating and administrative expense for the year increased 14.5% or as a percentage of sales, increased by one half of one percent.

Salaries and wages continue to account for half of the total expense increase with other major contributors being property taxes, general expense, interest charges, depreciation and provision for

doubtful accounts. While some of the increase was of a non-recurring nature, the major portion was not and we must achieve a reduction in expense in all departments in 1970.

Expense arising in the fourth quarter although general in nature was considerably greater than that of the same quarter in 1968 which, coupled with reduced sales velocity and a slight decline in gross profit percentage, resulted in a marked decline in earnings for the quarter.

Federal and provincial income taxes for the year amounted to $3,471,241 well in excess of earnings of $3,224,575.

Gain on disposal of fixed assets amounted to $122,665 bringing total net earnings to $3,347,240.

Accounts receivable are $585,000 higher than a year ago but are improved in relation to total sales. Individual accounts are relatively small and are distributed throughout five provinces. While there has been some slowing in the retirement of accounts, adequate provision has been made for possible losses.

Inventories at $17,002,000 are $1,326,000 higher than at the 1968 year end because of increased sales volume and the stocking of new branches opened during the year. Turnover improved slightly during the period.

Expenditures of $2,342,000 for fixed assets were some $556,000 less than in 1968.

Major items in Western Canada consist of the completion of the new store at Richmond, B.C. opened in February 1969, complete new facilities at Fernie, B.C., Forestburg and Lacombe in Alberta, Shoal Lake in Manitoba and a portion of the cost of a new branch being developed at Mackenzie, B.C. A new branch was established in leased premises at Whitehorse, Yukon.

In Ontario a large store was opened at Sarnia in August. Our Collingwood store was replaced with new larger facilities. Construction of a new store at Burlington was well under way at year end and was opened for business in February of this year. Expenditures also include the cost of properties acquired for future development.

Bank indebtedness at year end is $3,358,000 less than a year ago. However, average monthly bank borrowings were higher than in 1968 even though we had the use of the proceeds of the $5,000,000 debenture issued May 1, 1969.

This increased borrowing was necessary to finance larger inventories and receivables, capital expenditures and income taxes.

Income and other taxes payable at year end are approximately $1,000,000 less than a year ago because of changes in the Income Tax Act requiring accelerated payment.

Early in 1970 the Company acquired the balance of the shares in the Taylor Lumber Company Limited of Virden, Manitoba. This acquisition brought to a close a long and valued association with members of the Taylor family which began with the incorporation of that company in 1923.

A revision, effective January 1, 1969, was made in our employees' pension plan bringing future pension benefits in line with current conditions. The cost was met by using the accumulated surplus in the pension fund together with an additional sum of $275,000 subscribed by the Company that is being charged to operations over a fifteen-year period. This revision will be beneficial to both the employees and the Company.

It is my pleasure to extend a warm thank you on behalf of the Board of Directors to each and every employee who worked so diligently in achieving the foregoing results.

On behalf of the Board,

President

Winnipeg, March 19, 1970

SAVEWAY STORE INTERIOR

BEAVER LUMBER COMPANY LIMITED

AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS

For the year ended December 31, 1969

	1969	1968
SALES	$85,726,863	$76,906,982
EARNINGS FROM OPERATIONS—before the undernoted items	$ 8,149,647	$ 8,097,612
Depreciation	1,178,197	1,007,223
Debenture interest and expense	218,957	–
Remuneration of directors and senior officers	211,350	196,216
	1,608,504	1,203,439
EARNINGS FROM OPERATIONS	6,541,143	6,894,173
Net earnings—Beaver Lumber Acceptance Corporation Limited (Note 1)	144,032	125,099
Income from other investments	10,641	14,964
EARNINGS BEFORE INCOME TAXES	6,695,816	7,034,236
Current income taxes	3,515,515	3,619,128
Deferred income taxes	(44,274)	17,714
NET EARNINGS—before the following	3,224,575	3,397,394
Gain on disposal of fixed assets	122,665	189,557
NET EARNINGS FOR THE YEAR	$ 3,347,240	$ 3,586,951

The accompanying notes are an integral part of the financial statements.

BEAVER LUMBER
AND CONSOL

CONSOLIDATED

AS AT DECE

ASSETS

CURRENT ASSETS:	1969	1968
Short term note	$ 440,183	$ 442,848
Accounts receivable	10,047,505	9,462,299
Agreements receivable	278,965	309,136
Special refundable tax	41,029	–
Merchandise inventories—at the lower of cost or replacement cost	17,002,425	15,676,377
Insurance deposits	118,497	104,441
Total current assets	27,928,604	25,995,101
SPECIAL REFUNDABLE TAX	–	98,786
INVESTMENTS:		
Shares in and advances to wholly-owned finance company—at equity value (Note 1)	1,566,893	1,537,861
Shares in other companies—at cost	23,206	23,206
	1,590,099	1,561,067
FIXED ASSETS:		
Land, buildings and equipment—at cost	22,077,207	20,712,021
Less accumulated depreciation	11,789,924	11,094,954
Net fixed assets	10,287,283	9,617,067
DEFERRED INCOME TAX CHARGES	580,029	535,755
DEBENTURE DISCOUNT	125,000	–
TOTAL	$40,511,015	$37,807,776

Approved by the Board:

K. C. KENNEDY, Director

GORDON LAWSON, Director

The accompanying notes are an in

OMPANY LIMITED
ATED SUBSIDIARIES

BALANCE SHEET

BER 31, 1969

LIABILITIES

			1969	1968
CURRENT LIABILITIES:				
Bank indebtedness			$ 1,466,965	$ 4,825,386
Accounts payable and accrued charges			2,321,887	2,233,289
Income and other taxes payable			428,977	1,424,548
Dividends payable			420,857	420,836
Total current liabilities			4,638,686	8,904,059
DEFERRED INCOME (Note 2)			298,583	–
LONG TERM DEBT (Note 3)			5,000,000	–
CONTINGENT LIABILITY (Note 4)				

SHAREHOLDERS' EQUITY

	Shares 1969	Shares 1968	1969	1968
Capital stock (Note 5):				
Authorized:				
Preferred cumulative redeemable $1.40 series—54,116 shares of the par value of $20 each.				
Class A—100,000 shares without nominal or par value, cumulative dividend of $1 per annum.				
Common—4,000,000 shares without nominal or par value.				
Issued and fully paid:				
Preferred	25,852	26,348	517,040	526,960
Class A	78,369	78,369		
Common	3,137,681	3,136,324	1,648,016	1,628,568
			2,165,056	2,155,528
Capital surplus arising from purchase for cancellation of preferred shares			65,280	55,360
Retained earnings (Note 6)			28,343,410	26,692,829
			28,408,690	26,748,189
Total shareholders' equity			30,573,746	28,903,717
TOTAL			$40,511,015	$37,807,776

ral part of the financial statements.

BEAVER LUMBER COMPANY LIMITED

AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended December 31, 1969

	1969	1968
BALANCE AT BEGINNING OF THE YEAR:	$26,692,829	$24,743,386
ADD:		
Net earnings for the year	3,347,240	3,586,951
Transferred from capital surplus	–	117,260
	30,040,069	28,447,597
DEDUCT:		
Dividends:		
Preferred	36,407	38,573
Class A	78,369	78,369
Common	1,568,646	1,567,645
	1,683,422	1,684,587
Premium on preferred shares purchased for cancellation	1,067	14,821
Designated as capital surplus	9,920	55,360
Sundry	2,250	–
	1,696,659	1,754,768
BALANCE AT END OF THE YEAR	$28,343,410	$26,692,829

The accompanying notes are an integral part of the financial statements.

MANUFACTURED HOME

PLANNED FARM BUILDINGS

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1969

SOURCE OF FUNDS:	1969	1968
Net earnings before gain on disposal of fixed assets	$ 3,224,575	$ 3,397,394
Provision for depreciation	1,178,197	1,007,223
Deferred income taxes	(44,274)	17,714
Funds provided from operations	4,358,498	4,422,331
Deferred income (Note 2)	298,583	–
Special refundable tax	98,786	61,614
Issue of common shares	19,448	21,818
Debentures, net of discount	4,875,000	–
Disposal of fixed assets	616,082	486,846
	10,266,397	4,992,609
APPLICATION OF FUNDS:		
Additions to fixed assets	2,341,830	2,898,283
Dividends paid	1,683,422	1,684,587
Preferred shares purchased for cancellation	10,987	70,181
Increase in investment in wholly-owned finance company	29,032	110,099
Sundry	2,250	–
	4,067,521	4,763,150
INCREASE IN WORKING CAPITAL	6,198,876	229,459
WORKING CAPITAL AT BEGINNING OF THE YEAR	17,091,042	16,861,583
WORKING CAPITAL AT END OF THE YEAR	$23,289,918	$17,091,042

The accompanying notes are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1969

NOTE 1—BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiary companies with the exception of the wholly-owned finance company, Beaver Lumber Acceptance Corporation Limited. The nature of the business of this subsidiary is different from the operations of the parent company and other subsidiaries. The investment in the wholly-owned finance company, including advances, is shown on the consolidated balance sheet at equity value; its net earnings are included in the consolidated statement of earnings and its retained earnings are included in the consolidated statement of retained earnings. A statement of the assets and liabilities of Beaver Lumber Acceptance Corporation Limited as at December 31, 1969 is appended hereto.

NOTE 2—DEFERRED INCOME

Unearned rental income from leased buildings.

NOTE 3—LONG TERM DEBT

On May 1, 1969 the Company issued $5,000,000 $5\frac{1}{4}$% Convertible Debentures Series A, due May 1, 1989, convertible prior to May 2, 1979 into common shares of the Company, and redeemable, at the Company's option, after May 1, 1974. The Company has covenanted that commencing in 1980 it will establish a sinking fund to retire annually 10% of the principal amount of Convertible Debentures Series A outstanding on May 2, 1979.

NOTE 4—CONTINGENT LIABILITY

The Company is contingently liable as guarantor of the wholly-owned finance company's promissory notes payable amounting to $2,000,000.

NOTE 5—CAPITAL STOCK

During the year, 496 preferred $1.40 series shares were purchased for cancellation; and under the employee stock option plan, 1,357 common shares were issued for an aggregate cash consideration of $19,448.

Pursuant to the provisions of the employee stock option plan established in 1968, 156,738 common shares of the Company were reserved to provide for stock options to be granted annually to employees during the five year term of the plan. Options are exercisable within five years from the date of the grant. Share options granted, expiry dates and option prices are set out below:

Year granted	Expiry date	Option price	Share options granted Total	Employees	Officers
1968	April 30, 1973	$13.95	19,725	16,752	2,973
1969	January 31, 1974	17.55	18,010	15,270	2,740

In addition, 250,000 common shares of the Company were reserved for issue upon conversion of the Convertible Debentures Series A which are convertible at the price of $20.00 per common share.

NOTE 6—RETAINED EARNINGS

The Trust Indenture relating to the Convertible Debentures Series A contains a restriction on the payment of dividends, other than stock dividends, on the Company's common shares. The Company's consolidated retained earnings at December 31, 1968, except for an amount of $1,500,000, are subject to this restriction.

The provisions of the Trust Indenture are more restrictive than the terms of the Company's guarantee of the finance company's promissory notes payable.

NOTE 7—PENSIONS

In 1969 the Company increased employees' pension benefits for past service and paid a portion of the cost of this revision, $25,289 including interest. It is the Company's intention to charge the balance of this unfunded liability, $264,105 at December 31, 1969, against earnings over the next fourteen years.

Auditors' Report
To the Shareholders of
Beaver Lumber Company Limited

We have examined the consolidated balance sheet of Beaver Lumber Company Limited and consolidated subsidiaries as at December 31, 1969 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceeding year.

Deloitte, Plender, Haskins & Sells
Chartered Accountants

Winnipeg, Manitoba
February 23, 1970

MILTON, ONTARIO, FACTORY MANUFACTURED HOMES AND TRUSSES

BEAVER LUMBER ACCEPTANCE CORPORATION LIMITED

STATEMENT OF ASSETS AND LIABILITIES

As at December 31, 1969

	1969	1968
ASSETS:		
Finance contracts receivable (Note 1)	$4,520,316	$4,222,879
Mortgages and agreements receivable (Note 2)	65,435	54,276
Special refundable tax	291	3,015
Office equipment—at cost less accumulated depreciation	4,812	5,690
TOTAL	$4,590,854	$4,285,860
LIABILITIES:		
Bank indebtedness—secured	$ 958,353	$ 661,504
Income taxes payable	19,619	29,228
Accounts payable and accrued charges	45,989	57,267
	1,023,961	747,999
Promissory notes payable (Note 3)	2,000,000	2,000,000
EQUITY OF BEAVER LUMBER COMPANY LIMITED and its subsidiary companies:		
Advances	620,000	720,000
Share capital	300,006	300,006
Retained earnings	646,887	517,855
	1,566,893	1,537,861
TOTAL	$4,590,854	$4,285,860

Approved by the Board:

K. C. KENNEDY, Director

K. A. MITCHELL, Director

Note 1—Finance contracts receivable are shown net after deducting unearned finance charges 1969 $886,158; 1968 $826,110, and allowance for doubtful accounts 1969 $207,383; 1968 $183,461, and include instalments due after twelve months amounting to $2,206,000 at December 31, 1969 and $2,078,000 at December 31, 1968.

Note 2—Mortgages and agreements receivable are shown net after deducting allowance for doubtful loans 1969 $2,500; 1968 $2,500.

Note 3—$5\frac{3}{4}\%$ promissory notes due 1985, principal repayable in equal annual instalments commencing 1976.

AUDITORS' REPORT TO THE SHAREHOLDERS OF BEAVER LUMBER ACCEPTANCE CORPORATION LIMITED

We have examined the statement of assets and liabilities of Beaver Lumber Acceptance Corporation Limited as at December 31, 1969. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion this statement presents fairly the assets and liabilities of Beaver Lumber Acceptance Corporation Limited as at December 31, 1969 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte, Plender, Haskins & Sells
Chartered Accountants.

Winnipeg, Manitoba
February 23, 1970

BEAVER LUMBER COMPANY LIMITED

AND SUBSIDIARY COMPANIES

	Number of Branches	
ONTARIO DIVISION:		
Beaver Lumber Company Limited	77	
Beaver Lumber (Brantford) Limited	1	
Beaver Lumber (Dunnville) Limited	1	
Beaver Lumber (Quebec) Limited	2	
Beaver Lumber (Trenton) Limited	1	
Saveway Building Supplies Limited	4	
	—	86
CENTRAL DIVISION:		
Beaver Lumber Company Limited		
Manitoba	42	
Saskatchewan	64	
The Empire Sash & Door Company Limited	1	
	—	107
ALBERTA DIVISION:		
Beaver Lumber Company Limited		68
BRITISH COLUMBIA DIVISION:		
Beaver Lumber Company Limited		10
Beaver Lumber Acceptance Corporation Limited		1
Total		272

LACOMBE, ALTA. NEW STORE

BURLINGTON, ONTARIO, NEW STORE OPENED FEBRUARY, 1970

Preliminary Prospectus dated March 12, 1969 Nº 150

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale.

NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

This is a preliminary prospectus relating to these securities, a copy of which has been filed with the Alberta, Saskatchewan, Manitoba and Ontario Securities Commissions but which has not yet become final for the purpose of a primary distribution to the public. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted in any such Province prior to the time a receipt is obtained for the final prospectus from the Securities Commission of such Province.

New Issue

BEAVER

File

$5,000,000

Beaver Lumber Company Limited

(Incorporated under the laws of Canada)

% Convertible Debentures Series A

To be dated May 1, 1969 To mature May 1, 1989

The Series A Debentures will not be redeemable prior to May 1, 1974. Further particulars of redemption and particulars of the sinking fund which commences on May 1, 1980 are set out on pages 5 and 6. Series A Debentures will be available as coupon debentures registrable as to principal only in the denomination of $1,000 and as fully registered debentures in denominations of $1,000 and multiples thereof.

Conversion Privilege

Series A Debentures will be convertible at the holder's option at any time up to the close of business on May 1, 1979 or, if called for redemption, on the last full business day preceding the date fixed for redemption, whichever is earlier, into common shares of the Company at a conversion rate of common shares per $1,000 principal amount of Series A Debentures, being equivalent to a conversion price of $ per share. Further particulars concerning the conversion privilege are set out on page 7.

In the opinion of counsel, these Series A Debentures will be investments in which the Canadian and British Insurance Companies Act states that a company registered under Part III thereof may, without availing itself for that purpose of the provisions of subsection (4) of Section 63 of said Act, invest its funds.

Price: and accrued interest

We, as principals, offer these Series A Debentures subject to prior sale, if, as and when issued and accepted by us and subject to the approval of all legal matters on behalf of the Company by Messrs. MacInnes, Burbidge & Company, Winnipeg, and on our behalf by Messrs. McCarthy & McCarthy, Toronto, who may rely as to certain matters on the opinion of the Company's counsel.

	Price to public (1)	Underwriting discount	Proceeds to Company (1) (2)
Per Unit			
Total	$	$	$

(1) Plus accrued interest from May 1, 1969 to the date of delivery.

(2) Before deducting expenses of issue estimated at $40,000.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that Series A Debentures in definitive form will be available for delivery on or about May 1, 1969.

Table of Contents

The Company

Beaver Lumber Company Limited (the "Company") was incorporated under the laws of Canada by letters patent dated November 23, 1906. The head office of the Company is located at 120 Fort Street Winnipeg, Manitoba.

The Company is a leading retailer of lumber, building materials and a broad range of products for the home through branch stores located from British Columbia to Ontario and northern Quebec.

Capitalization

	Authorized	Outstanding December 31, 1968	Outstanding February 28, 1969	To be outstanding upon completion of this financing
LONG-TERM LIABILITIES:				
Beaver Lumber Company Limited:				
% Convertible Debentures Series A due May 1, 1989 (this issue) (1)	$5,000,000	—	—	$5,000,000
Beaver Lumber Acceptance Corporation Limited:				
5¾% Promissory Notes due September 1, 1985 (2)	$2,000,000	$2,000,000	$2,000,000	$2,000,000
CAPITAL STOCK:				
Cumulative redeemable preferred shares $1.40 series of the par value of $20 each	54,116 shs. ($1,082,320)	26,348 shs. ($526,960)	26,248 shs. ($524,960)	26,248 shs. ($524,960)
Class A shares without nominal or par value (3)	100,000 shs.	78,369 shs.	78,369 shs.	78,369 shs.
Common shares without nominal or par value (4)	4,000,000 shs.	3,136,324 shs. ($1,628,568)	3,136,951 shs. ($1,637,692)	3,136,951 shs. ($1,637,692)

NOTES: (1) Subject to the restrictions to be contained in the Trust Indenture, additional Debentures may be issued without limitation as to aggregate principal amount.

(2) These notes, which are payable as to $200,000 in each of the years 1976 to 1985, are guaranteed by the Company.

(3) The Class A shares were issued as a stock dividend in 1946 and the consideration for which they have been issued is aggregated with the consideration received by the Company for the issue of its common shares.

(4) In addition to the stated value of the common shares shown in this table, the Company had consolidated retained earnings of $26,692,829 at December 31, 1968. common shares will be reserved to meet the conversion privilege to be attached to the Series A Debentures. The Company has also reserved common shares for issuance under its employee stock option plan referred to under "Options to Purchase Shares" on page 10.

Business of the Company

The Company upon incorporation acquired the assets and operations of three retail lumber companies carrying on business in Manitoba and Saskatchewan. Operations have been expanded over the years and were extended into Alberta in 1912, Ontario in 1938, northern Quebec in 1949 and British Columbia in 1955.

The Company has the following operating subsidiaries, all of which are wholly-owned: Beaver Lumber Acceptance Corporation Limited, Saveway Building Supplies Limited, Beaver Lumber (Brantford) Limited, Beaver Lumber (Dunnville) Limited, Beaver Lumber (Quebec) Limited, Beaver Lumber (Trenton) Limited and The Empire Sash & Door Company Limited.

Retail Stores

The Company operates 271 stores. These stores, of which those located in Ontario account for approximately one-half of total sales, are, with minor exceptions, owned by the Company or its subsidiaries and are operated by divisions as follows:

Division	Number of stores
Ontario (including two stores in northern Quebec).	85
Central (Manitoba and Saskatchewan)............	109
Alberta.....................................	66
British Columbia.............................	11
	271

The Beaver name is carried by 266 of the store. These stores, which are designed to provide one-stop-shopping for the homeowner, carry lumber and plywood, wall panelling, paint and wallpaper, roofing, floor covering, tools, plumbing and electrical equipment, housewares, and pre-fabricated kitchen cabinets.

Recently the Company successfully entered into the manufactured home field. Components for manufactured homes are produced under factory-controlled conditions at plants located at Milton, Brandon, Regina, Edmonton, and Surrey. The demand for these homes, which are transported as components to the purchaser's property and erected in a normal working day, is increasing and results from the shortage and high cost of skilled labour necessary for on-site construction.

The Company also designs and merchandises specialty buildings which are produced from standard stock carried at all branches. These buildings are designed for a wide range of uses, including the housing of livestock, the storage of agricultural produce and machinery, garages and vacation homes.

Saveway Building Supplies Limited commenced operations in 1967 to participate in the "cash and carry" method of merchandising building materials. This method, which is based on rapid turnover and customer self-service, permits lower prices on volume sales. Four of these outlets are now operating successfully in Ontario and sites have been acquired for additional units. This type of outlet also provides central warehousing and distribution for Beaver stores in the area.

Operations

The Company follows a policy of decentralization in operations. Each division has its own administrative office, manager and complete staff who control all operating matters except those involving broad policy and capital expenditures. Personnel and marketing departments are located at the head office and provide functional guidance to the divisions in these areas. Division offices are located at Sheridan Park and in Winnipeg, Edmonton and Surrey.

Purchasing is done through approved suppliers and orders are placed by the stores, division offices or the head office, depending on the type of product. Centralized purchasing arrangements enable the Company to benefit from volume buying direct from the manufacturer on all major items.

Marketing

The accelerating growth in urban population in Canada has necessitated a continuing expansion of the Company's facilities and refinement of marketing techniques in these areas. Capital expenditures in 1967 and 1968 amounted to over $5,000,000 and were directed primarily towards the purchase of new sites, the construction of new outlets in urban areas and the expansion and relocation of existing outlets.

An analysis of Dominion Bureau of Statistics reports for the period 1963 to 1967 indicates that the market for building materials and accessories in Ontario and the four western provinces, the areas served by the Company, represented 76% of the total Canadian market. The annual sales growth in these areas for the same period has averaged 6.2%, while the Company's sales growth during this period has averaged 10.4%. For the year ended December 31, 1968 the Company's sales amounted to $76,906,982, an increase of 13% over the previous year. The Company expects to continue to increase its share of this market.

During 1967 and 1968 major stores were opened in Edmonton, Winnipeg, Toronto, Chatham and Stratford. These stores have now become fully operational and are expected to contribute to profits in 1969.

Beaver Lumber Acceptance Corporation Limited

A wholly-owned finance company, Beaver Lumber Acceptance Corporation Limited ("Blaco"), is operated separately to provide an instalment credit service to customers. As indicated in the notes to the financial statements on page 15, the accounts of Blaco are not fully consolidated with those of the Company. The covenants described on page 6 refer to the Company and its Designated Subsidiaries. Because the business of Blaco differs from that of the Company, Blaco will not be a Designated Subsidiary and consequently it may borrow moneys for the purpose of its operations and give security therefor. To the extent that the Company guarantees obligations of Blaco the amount of that company's debt guaranteed by the Company will be taken into consideration in determining the amount of additional Debentures that may be issued and Funded Obligations that may be incurred.

Use of Proceeds

The estimated net proceeds to the Company from the sale of the Series A Debentures after deducting the expenses of the offering will amount to $ and will be used to reduce the Company's bank loan amounting, at March 10, 1969, to $5,342,000.

Details of the Offering

The % Convertible Debentures Series A due May 1, 1989 (the "Series A Debentures") will be the first series of debentures (the "Debentures") to be issued under a trust indenture to be dated as of May 1, 1969 (the "Trust Indenture") and to be made between the Company and Montreal Trust Company, as trustee. A summary of the material attributes and characteristics of the Series A Debentures, which does not purport to be complete and is qualified in its entirety by reference to the Trust Indenture, is set out below.

General

The Series A Debentures will, in the opinion of counsel, be direct obligations of the Company but will not be secured by any mortgage, pledge, or other charge. Save only as to sinking funds pertaining exclusively to any particular series, the Series A Debentures will rank equally and rateably with all other Debentures that may be issued and outstanding under the Trust Indenture. Additional Debentures may be issued from time to time without limitation as to aggregate principal amount but subject to the restrictions to be contained in the Trust Indenture including the restrictions hereinafter referred to under "Covenants" on page 6.

The principal of, and half-yearly interest (May 1 and November 1) and redemption premium, if any, on, the Series A Debentures will be payable in lawful money of Canada at any branch in Canada, at the holder's option, of the Company's bankers. Series A Debentures in definitive form are expected to be available for delivery on or about May 1, 1969. Series A Debentures will be available as coupon debentures registrable as to principal only in the denomination of $1,000 and as fully registered debentures in denominations of $1,000 and multiples thereof.

Redemption

The Series A Debentures will not be redeemable on or before May 1, 1974 but will be redeemable after that date and prior to maturity in whole at any time or in part from time to time, at the option of the Company, on not less than 30 days' notice, for other than sinking fund purposes, at prices equal to the following percentages of the principal amount thereof, together in each case with accrued and unpaid interest to the date fixed for redemption:

If redeemed in the 12 months ending May 1	Percentage	If redeemed in the 12 months ending May 1	Percentage	If redeemed in the 12 months ending May 1	Percentage
1975		1980		1985	
1976		1981		1986	
1977		1982		1987	
1978		1983		1988	
1979		1984		1989	

The Company will have the right to purchase Series A Debentures in the market or by private contract at prices not exceeding   % of the principal amount thereof if purchased on or before May 1, 1974 and thereafter at prices not exceeding the foregoing percentages of the principal amount thereof together with accrued and unpaid interest and costs of purchase.

Sinking Fund

The Company will covenant in the Trust Indenture to pay to the trustee, as and by way of a sinking fund for the Series A Debentures, in each of the years 1980 to 1988 inclusive, sums sufficient to retire on May 1 in each of such years 10% of the aggregate principal amount of Series A Debentures outstanding on May 2, 1979.

The Series A Debentures will be redeemable out of sinking fund moneys at the principal amount thereof plus accrued and unpaid interest to the date fixed for redemption. Series A Debentures redeemed (for other than sinking fund purposes) or purchased by the Company after May 1, 1979 shall establish a sinking fund credit which may be applied to the satisfaction in whole or in part of future sinking fund obligations.

Covenants

The Trust Indenture will contain covenants applicable so long as the Series A Debentures remain outstanding the effect of which may be summarized as follows:

(1) Neither the Company nor any Designated Subsidiary will mortgage or encumber any of its assets to secure any indebtedness other than the Debentures unless at the same time it shall secure equally and rateably therewith all Debentures then outstanding;

(2) The Company will not declare or pay any dividends (other than stock dividends) or redeem, reduce, purchase or otherwise pay off any of its shares unless after giving effect thereto the aggregate amount expended for such purposes after December 31, 1968 will not be more than Consolidated Net Income earned subsequent to December 31, 1968, plus the proceeds of any issue of shares made after May 1, 1969, plus $1,500,000, provided that the Company will be entitled to pay dividends on or satisfy mandatory retirement provisions in respect of any of its preferred shares;

(3) The Company will not issue or become liable on any additional Debentures or Funded Obligations unless Consolidated Net Tangible Assets (which shall include the proceeds of any such issue) are at least equal to 2.5 times Consolidated Funded Obligations and average annual Consolidated Earnings for the preceding two years shall have been at least equal to three times the aggregate annual interest requirements on all Consolidated Funded Obligations to be outstanding; and

(4) The Company will not permit any Designated Subsidiary to issue (except to the Company or another Designated Subsidiary) or become liable on any Funded Obligations; neither the Company nor any Designated Subsidiary will dispose of any Funded Obligations of a Designated Subsidiary or any voting shares of a Designated Subsidiary unless, in the latter case, all such voting shares are disposed of or, both before and after giving effect thereto, the Company would be entitled under (3) above to issue Funded Obligations of at least $1; and the Company will not permit any Designated Subsidiary to issue any shares or effect any re-organization that would have the effect of reducing the Company's interest in such Designated Subsidiary unless, before and after giving effect thereto, the Company would be entitled under (3) above to issue Funded Obligations of at least $1.

Provided that the foregoing will not apply to nor operate to prevent, among other things,

(a) the creation, assumption, extension, renewal, refunding or guaranteeing of Purchase Money Obligations in respect of not more than 90% of the cost of property acquired, provided that if the aggregate amount thereof outstanding at any time shall exceed $4,000,000 the issue test in (3) above is met before any further Purchase Money Obligations are incurred;

(b) the extension, renewal or refunding of any Funded Obligations to the extent of the principal amount thereof outstanding at the time of such action;

(c) the giving of security (except on fixed assets and shares or indebtedness of Designated Subsidiaries) to any bank for indebtedness to such bank; or

(d) the incurring of obligations under leases or commitments arising in the ordinary course of business and the existence of liens arising by operation of law.

Definitions

The Trust Indenture will contain definitions which may be summarized as follows: "Subsidiary" will mean any company more than 50% of the outstanding voting shares of which are owned by or held for the Company and/or any other Subsidiary; "Designated Subsidiary" will mean every Subsidiary of the Company as at May 1, 1969, other than Beaver Lumber Acceptance Corporation Limited, and, if the Company so elects, any corporation which becomes a Subsidiary after May 1, 1969 (provision will be made to permit the Company to elect that a Designated Subsidiary shall no longer be a Designated Subsidiary and to redesignate any such Subsidiary, subject to the Company being able to meet certain financial tests similar to those described in covenant (3) above); "Consolidated Funded Obligations" will mean indebtedness of the Company and its Designated Subsidiaries, including Purchase Money Obligations, which matures by its terms on, or is renewable at the option of the obligor to, a date more than 12 months after the date of the creation, assumption or guaranteeing thereof; "Purchase Money Obligation" will mean any indebtedness in respect of or to provide part of the purchase price of property, whether or not secured, provided that any security therefor is limited to the property so acquired; "Consolidated Net Income" will mean the income from all sources of the Company and its Designated Subsidiaries after deducting all expenses of operation and administration, interest on Funded Obligations, provision for depreciation and income taxes; "Consolidated Earnings" will mean Consolidated Net Income plus interest on Funded Obligations and income taxes; "Consolidated Net Tangible Assets" will mean the total of all assets of the Company and its Designated Subsidiaries less the amounts of any goodwill, deferred charges and other intangible assets, minority interests, appraisal surpluses and all liabilities other than Consolidated Funded Obligations, deferred taxes and shareholders' equity. In determining any ratio between Consolidated Net Tangible Assets and Consolidated Funded Obligations there will be taken into account the consideration to be received for the Funded Obligations in respect of which such ratio is being determined. In determining Consolidated Net Tangible Assets, Consolidated Funded Obligations and Consolidated Earnings there may be included the assets, liabilities and earnings of a business or company that is being acquired, if, in the latter case, such company will become a Designated Subsidiary, and, subject to the foregoing, all amounts shall be calculated in accordance with generally accepted accounting principles.

Conversion Privilege

Pursuant to the terms of the Trust Indenture each Series A Debenture will be convertible at the holder's option, at any time up to the close of business on May 1, 1979 or, if called for redemption, on the last full business day next preceding the date fixed for redemption, whichever is the earlier, into fully paid and non-assessable common shares without nominal or par value in the capital of the Company as constituted on May 1, 1969 (without adjustment for accrued interest on such Series A Debenture or for cash dividends, if any, on shares of the Company issuable upon conversion) at a conversion rate of common shares per $1,000 principal amount of Series A Debentures, being equivalent to a conversion price of $ per share.

The Trust Indenture will contain provisions for adjustment of the conversion privilege in certain events including the issuance of common shares below the conversion price in effect at the time of such issue and subdivisions and consolidations of outstanding shares. Provision will also be made in the Trust Indenture to protect the right of conversion in the event of any reorganization or reclassification of the share capital of the Company or the consolidation or merger of the Company with or into another corporation or the sale or transfer of the assets of the Company as a whole or substantially as a whole. The Trust Indenture will provide that no fraction of a share will be delivered upon the conversion of any Series A Debenture and that the Company will adjust all fractions arising upon conversion by paying to the holder of the Series A Debenture being surrendered for conversion an amount in cash based upon the then conversion price. The Company will covenant in the Trust Indenture that it will at all times reserve sufficient of its unissued common shares to satisfy the exercise of the right of conversion attaching to the Series A Debentures.

Modification

The Trust Indenture will contain provisions permitting the Company and the trustee, with the consent of the holders of the Debentures, to modify the Trust Indenture or any supplemental indenture or

the rights of the holders of the Debentures; any such consent to be given by the votes of the holders of 75% of the Debentures represented at a duly constituted meeting of debentureholders or in writing by the holders of 66⅔% of the outstanding Debentures.

Description of Shares

Preferred Shares

The preferred shares have a par value of $20 per share, are entitled to fixed preferential cumulative dividends at the rate of $1.40 per share per annum and are redeemable at any time in whole or in part at the option of the Company. In the event of default of dividend payments, arrears are payable with interest at the rate of 6% per annum until such arrears are fully paid. The preferred shares are non-voting unless eight consecutive quarterly dividend instalments are in arrears, in which case the holders of such shares will be entitled to 40 votes per share. In the event of liquidation, the preferred shares rank prior to the Class A shares and common shares and are entitled to the amount paid up on such shares and all unpaid cumulative dividends and interest thereon.

Class A Shares

The Class A shares without nominal or par value are entitled to fixed cumulative preferential dividends of $1 per share per annum and are non-callable. The Class A shares are non-voting unless dividends are in arrears for two years whereupon the holders will be entitled to 20 votes per share. In the event of liquidation, the Class A shares, subject to the prior rights of the preferred shares, are entitled to all unpaid cumulative dividends and are entitled to participate with the common shares in the distribution of the remaining assets on the basis of one Class A share being equivalent to 20 common shares.

Common Shares

The common shares of the Company are without nominal or par value. The holders of the common shares are entitled to one vote in respect of each share held and, subject to the prior rights of the preferred shares and Class A shares, are entitled to such dividends as may from time to time be declared thereon by the board of directors of the Company. In the event of liquidation, the holders of the common shares are entitled to participate, subject to the prior rights of the holders of preferred shares and Class A shares, with the Class A shares in the distribution of the remaining assets on the basis of one Class A share being equivalent to 20 common shares.

Interest Requirements

The maximum annual interest requirements on the $5,000,000 principal amount of Series A Debentures will amount to $. The maximum annual interest requirements on the $2,000,000 principal amount of promissory notes of Blaco amount to $115,000.

Consolidated earnings available for the payment of interest on the foregoing long-term debt after deducting provision for income taxes of subsidiaries but before deducting provision for income taxes of the Company averaged $5,661,691 for the five years ended December 31, 1968 and amounted to $6,936,681 for the year then ended, which latter figure is times such annual interest requirements.

Asset Coverage

The consolidated net tangible assets of the Company and its Designated Subsidiaries as at December 31, 1968, after adjustment to give effect to the present financing, amounted to $ as follows:

Investment in fixed assets	$20,712,021
Less accumulated depreciation	11,094,954
Net investment in fixed assets	9,617,067
Current assets less current liabilities	17,091,042
Investments in and advances to other companies—at cost	1,043,212
Special refundable tax	98,786
Net tangible assets	$27,850,107
Estimated net proceeds of Series A Debentures	
Consolidated net tangible assets adjusted to give effect to this financing	$

The foregoing adjusted consolidated net tangible assets are equivalent to $ for each $1,000 of the $7,000,000 principal amount of long-term debt of the Company and its subsidiaries to be outstanding.

Directors and Officers

The names and home addresses in full of the directors and officers of the Company, the offices held by them and their principal occupations are as follows:

Name and address	Office	Principal occupation
HERBERT BYRON GOURLEY 119 Lamont Boulevard, Tuxedo, Manitoba	Director	Retired, Formerly Vice-President, Beaver Lumber Company Limited
ROBERT HOWARD GIBSON HARMAN 2766 Tudor Avenue, Victoria, British Columbia	Director	Partner, Harman & Company, Barristers & Solicitors
KEITH CHARLES KENNEDY 401 Park Boulevard, Tuxedo, Manitoba	Director, President	President, Beaver Lumber Company Limited
GORDON LAWSON Lot 33, St. Norbert, Manitoba	Director	Senior Vice-President, James Richardson & Sons Limited, grain merchants
KEITH AUBREY MITCHELL 412 Park Boulevard, Tuxedo, Manitoba	Director, Vice-President and General Manager	General Manager, Beaver Lumber Company Limited
DONALD SAVIGNY PATERSON 131 Ridgedale Crescent, Charleswood, Manitoba	Director	Vice-President, N. M. Paterson & Sons Limited, grain merchants
THEODORE OSCAR PETERSON 99 Wellington Crescent, Winnipeg, Manitoba	Director	Chairman, The Investors Group, an investment, management and holding company
THOMAS BRUCE ROSS 205 Grenfell Boulevard, Tuxedo, Manitoba	Director	President, The Canadian Indemnity Company, a general insurance company
CHARLES GORDON SMITH 550 Park Boulevard West, Tuxedo, Manitoba	Director	President, Oldgard Limited, a private investment company
CHARLES MORLEY WILLOUGHBY 601 Balfour Apartments, Regina, Saskatchewan	Director	Chairman, Houston, Willoughby and Company Limited, investment dealers
WILLIAM TAYLOR CUMMINGS 55 Cordova Street, Winnipeg, Manitoba	Secretary-Treasurer	Secretary-Treasurer, Beaver Lumber Company Limited
CHARLES ALEXANDER MCLEOD 2539 Assiniboine Crescent, St. James-Assiniboia, Manitoba	Assistant Secretary- Treasurer	Manager, Beaver Lumber Acceptance Corporation Limited

During the last five years all of the directors and officers of the Company have been associated in various capacities with the companies or firms indicated opposite their names.

Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid by the Company and its subsidiaries to the directors and senior officers of the Company, including the five highest paid employees, during the last financial year of the Company ended December 31, 1968 was $196,216 and for the two months ended February 28, 1969 was $25,517.

The aggregate cost to the Company and its subsidiaries in the year ended December 31, 1968 of all pension benefits proposed to be paid to the directors and senior officers, including the five highest paid employees, of the Company in the event of retirement at normal retirement age was $2,430.

Certain Holders of Securities

At February 28, 1969 the directors and senior officers of the Company, as a group, beneficially owned, directly or indirectly, approximately 5% of the common shares of the Company.

At February 28, 1969 partners of MacInnes, Burbidge & Company, counsel for the Company, beneficially owned, directly or indirectly, 50 common shares of the Company.

Options to Purchase Shares

The Company's employee stock option plan provides for the granting to officers and certain other employees of the Company and its subsidiaries of options to purchase common shares of the Company at a price equal to not less than 90% of the last board lot sale price reported on The Toronto Stock Exchange prior to the options being granted. A total of 35,216 common shares were under option at February 28, 1969 as set forth in the following table.

Directors and senior officers of the Company	Directors and senior officers of subsidiaries	All other employees of the Company	Normal expiry date	Option price per share	Market price at date of grant	Market price at February 28, 1969
2,933	296	14,095	April 30, 1973	$13.95	$15.50	$17.75
2,740	286	14,866	January 31, 1974	17.55	19.50	17.75
5,673	582	28,961				

Under the plan the Company has reserved an additional 119,331 common shares in respect of which options may be granted.

During the two years prior to February 28, 1969 options granted under the employee stock option plan in respect of 2,191 common shares were exercised and the Company received $30,943 upon the issue of such shares.

Plan of Distribution

Under an agreement dated April , 1969 between Wood Gundy Securities Limited, Richardson Securities of Canada and Houston, Willoughby and Company Limited, as underwriters, and the Company, the Company has agreed to sell and the underwriters have agreed to purchase, subject to the terms and conditions stated therein, on or about May 1, 1969 the $5,000,000 principal amount of Series A Debentures offered by this prospectus at a price of $ per $100 principal amount thereof. The foregoing agreement may be inspected at the head office of the Company during the period of primary distribution of the securities offered by this prospectus and for a period of 30 days thereafter. Gordon Lawson, a director of the Company, is a partner of Richardson Securities of Canada. Charles Morley Willoughby, a director of the Company, is a director, officer, and shareholder of Houston, Willoughby and Company Limited.

Auditors, Transfer Agents and Registrars

The auditors of the Company are Messrs. Deloitte, Plender, Haskins & Sells, Chartered Accountants, Winnipeg, Manitoba.

The registers for the Series A Debentures will be kept at the principal offices of Montreal Trust Company in Toronto, Winnipeg, Regina, Calgary and Vancouver.

The transfer agent and registrar for the preferred shares, Class A shares and common shares of the Company is Montreal Trust Company at its principal offices in Toronto, Winnipeg, Regina, Calgary and Vancouver.

Dividend Record

During the current fiscal year and the five years preceding the date of this prospectus, the Company has paid dividends on its outstanding shares as follows:

Fiscal year	Per preferred share	Per Class A share	Per common share*
1969 (to March 10, 1969)	$0.35	$0.25	$0.125
1968..................	1.40	1.00	0.475
1967..................	1.40	1.00	0.40
1966..................	1.40	1.00	0.40
1965..................	1.40	1.00	0.40
1964..................	1.40	1.00	0.40

*Reflects 4-for-1 split effective January 22, 1968.

Market Prices of Common Shares

The following table sets out the reported high and low sale prices of the common shares of the Company on The Toronto Stock Exchange and The Winnipeg Stock Exchange for the periods indicated.

Year	High*	Low*
1969 (to March 10, 1969)	$20	$17¼
1968..................	21½	9⅞
1967..................	10⅜	7⅛
1966..................	9¼	6⅞
1965..................	11¼	8¾
1964..................	11⅝	10¼

*Reflects 4-for-1 split effective January 22, 1968.

The reported closing sale price on The Toronto Stock Exchange on March 10, 1969 was $17.75.

Auditors' Report

To the Directors,
BEAVER LUMBER COMPANY LIMITED:

We have examined the consolidated balance sheet of Beaver Lumber Company Limited and consolidated subsidiaries as at December 31, 1968 and the consolidated statements of earnings, retained earnings and source and application of funds for the five years then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the five years then ended, in accordance with generally accepted accounting principles applied on a consistent basis, after giving retroactive effect to the change in the method of accounting for income taxes as described in Note 2 to the consolidated financial statements.

Winnipeg, Manitoba,
, 1969

Chartered Accountants

Beaver Lumber Company Limited
and Consolidated Subsidiaries

Consolidated Balance Sheet as at December 31, 1968

Assets

CURRENT ASSETS:	
Short term note	$ 442,848
Accounts receivable	9,462,299
Agreements receivable	309,136
Merchandise inventories—at the lower of cost or replacement cost	15,676,377
Insurance deposits	104,441
Total current assets	25,995,101
SPECIAL REFUNDABLE TAX	98,786
INVESTMENTS:	
Shares in and advances to wholly-owned finance company—at equity value (Note 1)	1,537,861
Shares in other companies—at cost	23,206
	1,561,067
FIXED ASSETS—at cost:	
Land	2,434,617
Buildings and equipment	18,277,404
	20,712,021
Less accumulated depreciation	11,094,954
Net fixed assets	9,617,067
DEFERRED INCOME TAX CHARGES (Note 2)	535,755
TOTAL	$37,807,776

Liabilities

CURRENT LIABILITIES:	
Bank indebtedness	$ 4,825,386
Accounts payable	2,233,289
Income and other taxes payable	1,424,548
Dividends payable	420,836
Total current liabilities	8,904,059
CONTINGENT LIABILITIES (Note 3)	

Shareholders' Equity

CAPITAL STOCK (Note 4):	
Authorized:	
Preferred cumulative redeemable $1.40 series 54,116 shares of the par value of $20 each	
Class A—100,000 shares without nominal or par value, cumulative dividend of $1 per annum	
Common—4,000,000 shares without nominal or par value	
Issued and fully paid:	
26,348 Preferred shares	526,960
78,369 Class A shares / 3,136,324 Common shares	1,628,568
	2,155,528
CAPITAL SURPLUS—arising from purchase for cancellation of preferred shares	55,360
RETAINED EARNINGS (Note 6)	26,692,829
	26,748,189
Total shareholders' equity	28,903,717
TOTAL	$37,807,776

Approved on behalf of the Board:

(Signed) GORDON LAWSON, Director (Signed) K. C. KENNEDY, Director

The accompanying notes are an integral part of the financial statements.

Beaver Lumber Company Limited
and Consolidated Subsidiaries

Consolidated Statement of Earnings

	Year ended December 31				
	1968	1967	1966	1965	1964
SALES	$76,906,982	$67,566,207	$59,532,574	$54,623,286	$52,726,880
EARNINGS FROM OPERATIONS—before the undernoted items	$ 8,097,612	$ 7,345,588	$ 6,430,648	$ 5,337,212	$ 5,823,391
Depreciation	1,007,223	896,715	776,860	746,454	744,141
Remuneration of directors and senior officers	196,216	186,983	172,100	167,200	165,600
	1,203,439	1,083,698	948,960	913,654	909,741
EARNINGS FROM OPERATIONS	6,894,173	6,261,890	5,481,688	4,423,558	4,913,650
Net earnings—Beaver Lumber Acceptance Corporation Limited (Note 1)	125,099	127,977	118,156	120,098	122,184
Income from other investments	14,964	17,923	16,634	24,126	6,317
EARNINGS BEFORE INCOME TAXES	7,034,236	6,407,790	5,616,478	4,567,782	5,042,151
Current income taxes	3,619,128	3,199,746	2,845,485	2,281,334	2,568,089
EARNINGS BEFORE DEDUCTING DEFERRED INCOME TAXES	3,415,108	3,208,044	2,770,993	2,286,448	2,474,062
Deferred income taxes (Note 2)	17,714	(21,925)	(50,533)	(20,619)	(48,154)
NET EARNINGS FOR THE YEAR	$ 3,397,394	$ 3,229,969	$ 2,821,526	$ 2,307,067	$ 2,522,216

Consolidated Statement of Retained Earnings

	Year ended December 31				
	1968	1967	1966	1965	1964
BALANCE AT BEGINNING OF THE YEAR:					
As previously reported	$24,189,917	$21,918,157	$20,196,955	$19,201,169	$16,188,766
Adjustments (Note 2)	553,469	531,544	481,011	460,392	412,238
RETAINED EARNINGS AS RESTATED	24,743,386	22,449,701	20,677,966	19,661,561	16,601,004
ADD:					
Net earnings for the year	3,397,394	3,229,969	2,821,526	2,307,067	2,522,216
Profit on disposal of fixed assets	189,557	471,884	436,817	110,458	66,468
Transferred from capital surplus (Note 5)	117,260	—	—	—	—
Transferred from reserves (Note 5)	—	—	—	—	1,805,000
Adjustment of subsidiary company's deferred income	—	—	—	—	73,448
	28,447,597	26,151,554	23,936,309	22,079,086	21,068,136
DEDUCT:					
Dividends:					
Preferred	38,573	41,783	44,296	47,958	48,872
Class A	78,369	78,369	78,369	78,369	78,369
Common	1,567,645	1,253,904	1,253,904	1,253,904	1,253,904
	1,684,587	1,374,056	1,376,569	1,380,231	1,381,145
Premium on preferred shares purchased for cancellation	14,821	7,372	19,519	12,065	25,430
Designated as capital surplus (Note 5)	55,360	26,740	90,520	—	—
Miscellaneous	—	—	—	8,824	—
	1,754,768	1,408,168	1,486,608	1,401,120	1,406,575
BALANCE AT END OF THE YEAR	$26,692,829	$24,743,386	$22,449,701	$20,677,966	$19,661,561

The accompanying notes are an integral part of the financial statements.

Beaver Lumber Company Limited
and Consolidated Subsidiaries

Consolidated Statement of Source and Application of Funds

	Year ended December 31				
	1968	1967	1966	1965	1964
SOURCE OF FUNDS:					
Net earnings for the year	$ 3,397,394	$ 3,229,969	$ 2,821,526	$ 2,307,067	$ 2,522,216
Provision for depreciation	1,007,223	896,715	776,860	746,454	744,141
Deferred income taxes	17,714	(21,925)	(50,533)	(20,619)	(48,154)
Funds provided from operations	4,422,331	4,104,759	3,547,853	3,032,902	3,218,203
Special refundable tax	61,614	—	—	—	—
Issue of common shares	21,818	—	—	—	—
Disposal of fixed assets	486,846	887,507	673,794	467,807	—
Decrease in investment in wholly-owned finance company	—	552,023	—	378,602	—
	4,992,609	5,544,289	4,221,647	3,879,311	3,218,203
APPLICATION OF FUNDS:					
Additions to fixed assets (1964—net)	2,898,283	2,368,534	945,392	1,368,819	1,081,415
Dividends paid	1,684,587	1,374,056	1,376,569	1,380,231	1,381,145
Preferred shares purchased for cancellation	70,181	34,112	75,919	40,125	85,229
Increase in investment in wholly-owned finance company	110,099	—	193,156	—	1,153,935
Special refundable tax	—	43,948	116,452	—	—
Purchase of minority interest	—	—	—	—	305,212
Miscellaneous	—	—	—	8,824	—
	4,763,150	3,820,650	2,707,488	2,797,999	4,006,936
INCREASE (DECREASE) IN WORKING CAPITAL	229,459	1,723,639	1,514,159	1,081,312	(788,733)
WORKING CAPITAL AT BEGINNING OF THE YEAR	16,861,583	15,137,944	13,623,785	12,542,473	13,331,206
WORKING CAPITAL AT END OF THE YEAR	$17,091,042	$16,861,583	$15,137,944	$13,623,785	$12,542,473

The accompanying notes are an integral part of the financial statements.

Beaver Lumber Company Limited
and Consolidated Subsidiaries

Notes To The Consolidated Financial Statements

1. Basis of Consolidation

The consolidated financial statements include the accounts of all subsidiary companies with the exception of the wholly-owned finance company, Beaver Lumber Acceptance Corporation Limited. The nature of the business of this subsidiary is different from the operations of the parent company and other subsidiaries. The investment in the wholly-owned finance company, including advances, is shown on the consolidated balance sheet at equity value, its net earnings are included in the consolidated statement of earnings and its retained earnings are included in the consolidated statement of retained earnings. A statement of the assets and liabilities of Beaver Lumber Acceptance Corporation Limited as at December 31, 1968 is appended hereto.

2. Income Taxes

In 1968 the Company changed its method of accounting for income taxes from the taxes currently payable basis to the tax allocation basis, the method recently recommended by The Canadian Institute of Chartered Accountants. As a result, consolidated retained earnings and consolidated earnings have been adjusted to give retroactive effect to this change in the method of accounting for income taxes

3. Contingent Liabilities

The Company is contingently liable in the following amounts: customers' secured notes discounted—$45,532; and the guarantee of the wholly-owned finance company's promissory notes payable—$2,000,000.

4. Capital Stock

Supplementary letters patent dated January 22, 1968 authorized:

(a) the cancellation of 5,863 preferred $1.40 series shares

(b) the subdivision of the authorized 1,000,000 common shares into 4,000,000 common shares

During the year 2,768 preferred $1.40 series shares were purchased for cancellation; and 1,564 common shares were issued under the employee stock option plan for a cash consideration of $21,818.

Pursuant to the provisions of the employee stock option plan, 156,738 common shares of the Company were reserved to provide for employee stock options during the five-year term of the plan. In 1968 options to purchase 19,725 common shares at a price of $13.95 exercisable on or before April 30, 1973 were granted to employees.

5. Capital Surplus and Reserves

The only transactions in capital surplus and reserves during the five year period ended December 31, 1968 were those shown in the consolidated statement of retained earnings.

6. Retained Earnings

Under the terms of the Company's guarantee of the finance company's promissory notes payable, the Company has covenanted that it will not declare or pay any dividends other than stock dividends and $1.40 series preferred dividends or redeem any shares of its capital stock that in the aggregate will reduce the consolidated retained earnings below $14,200,000.

7. Interest Coverage

Consolidated earnings of the Company and all subsidiaries available for payment of interest on long-term debt of the Company after deducting provision for income taxes of subsidiaries were as follows:

Year ended December 31	
1968	$6,821,681
1967	6,265,710
1966	5,503,343
1965	4,469,217
1964	4,885,606

8. New Financing

The Company has entered into an agreement dated April , 1969 for the sale of $5,000,000 principal amount of % Convertible Debentures Series A due May 1, 1989 for $. Expenses in connection with this issue are estimated at $40,000.

The Series A Debentures will be convertible at the holder's option at any time up to the close of business on May 1, 1979 or, if called for redemption, on the last full business day preceding the date specified for redemption, whichever is earlier, into common shares per $1,000 principal amount of Series A Debentures.

Beaver Lumber Acceptance Corporation Limited

Statement of Assets and Liabilities As at December 31, 1968

ASSETS:	
Finance contracts receivable (Note 1)	$4,222,879
Mortgages receivable (Note 2)	54,276
Special refundable tax	3,015
Furniture and equipment—at cost less accumulated depreciation	5,690
TOTAL	$4,285,860
LIABILITIES:	
Bank indebtedness—secured	$ 661,504
Income taxes payable	29,228
Accounts payable and accrued charges	57,267
	747,999
Promissory notes payable (Note 3)	2,000,000
EQUITY OF BEAVER LUMBER COMPANY LIMITED and its subsidiary companies:	
Advances	720,000
Share capital	300,006
Retained earnings	517,855
	1,537,861
TOTAL	$4,285,860

Approved on behalf of the Board:

(Signed) K. C. KENNEDY, Director (Signed) K. A. MITCHELL, Director

NOTES: (1) Finance contracts receivable are shown net after deducting unearned finance charges of $826,110 and allowance for doubtful accounts of $183,461 and include instalments due after twelve months amounting to $2,078,000.

(2) Mortgages receivable are shown net after deducting allowance for doubtful loans of $2,500.

(3) 5¾% promissory notes due 1985, principal repayable in equal annual instalments commencing 1976.

Auditors' Report

To the Directors,
BEAVER LUMBER ACCEPTANCE CORPORATION LIMITED:

We have examined the statement of assets and liabilities of Beaver Lumber Acceptance Corporation Limited as at December 31, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion this statement presents fairly the assets and liabilities of Beaver Lumber Acceptance Corporation Limited as at December 31, 1968 in accordance with generally accepted accounting principles applied on a consistent basis.

Winnipeg, Manitoba
, 1969

Chartered Accountants

Purchaser's Statutory Rights of Withdrawal and Rescission

Sections 63 and 64 of The Securities Act, 1967 (Alberta), sections 70 and 71 of The Securities Act, 1967 (Saskatchewan), sections 63 and 64 of The Securities Act, 1968 (Manitoba) and sections 63 and 64 of The Securities Act, 1966 (Ontario) provide, in effect, that where a security is offered to the public in the course of primary distribution:

(a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent, and

(b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Sections 61 and 62 of the Securities Act, 1967 (British Columbia) provide in effect that, where a security is offered to the public in the course of primary distribution, a purchaser has the same right of rescission described in (b) above and also that a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.

Reference is made to the aforesaid Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

Certificates

Dated: March 12, 1969

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part VII of The Securities Act, 1968 (Manitoba) and the regulations thereunder, and by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder.

(Signed) K. C. Kennedy
President

(Signed) W. T. Cummings
Secretary-Treasurer

On behalf of the Board of Directors

(Signed) T. B. Ross
Director

(Signed) R. H. Harman
Director

Underwriters

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 7 of The Securities Act, 1967 (Alberta) and the regulations thereunder, by Part VIII of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, by Part VII of The Securities Act, 1968 (Manitoba) and the regulations thereunder, and by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder.

Wood Gundy Securities Limited
By: (Signed) G. S. Swindell

Richardson Securities of Canada
By: (Signed) F. M. Hughes

Houston, Willoughby and Company Limited
By: (Signed) F. B. Poutney

The following includes the name of every person having an interest either directly or indirectly to the extent of not less than 5% in the capital of the following respectively: Wood Gundy Securities Limited: C. L. Gundy, W. P. Wilder, J. N. Cole, E. S. Johnston, J. K. McCausland, P. J. Chadsey and J. R. LeMesurier; Richardson Securities of Canada: G. T. Richardson; and Houston, Willoughby and Company Limited: C. M. Willoughby, F. B. Poutney, W. D. Ebbels, H. J. Dow and J. H. Walker.